

March 11, 2014

TO: Members of the Labor and Public Employees Committee
FR: Connecticut Bankers Association
Contacts: Tom Mongellow, Fritz Conway
Re: H.B. No. 5315 AN ACT ALLOWING EMPLOYERS TO PAY WAGES USING PAYROLL CARDS
Position: SUPPORT

House Bill 5315 would add payroll cards as an additional acceptable method by which an employer in Connecticut can pay its employees.

A payroll card is a reloadable, prepaid, Visa/MasterCard branded debit card issued to an employee by the employer's bank. The employer creates a master payroll account through a bank using its own tax identification number, and maintains it on behalf of its employees that want to receive their pay by a payroll card. The payroll card operates just like a debit card attached to a checking account in that the owner is assigned a PIN, and the card can be used at any ATM, point-of-sale (POS) device at grocery stores, gas stations and almost all retailers.

The card can quite simply be treated just like a paper paycheck and cashed out to the penny at just about any bank or credit union in the state without any fee. Alternatively, an employee can cash out part of their wages for cash and then use the card to make point of sale purchases, get cash back after those purchases; make online bill payments and telephone usage purchases. For "unbanked" or "under-banked" employees (those without a bank account), a payroll card provides access to fee-free financial services they would not otherwise have. It's estimated that 25% of the population is unbanked and that does not include documented and undocumented workers.

Importantly, the enactment of HB 5315 would allow unbanked individuals to avoid having to use check cashers for their financial service needs. The average cost of using a check casher on an annual basis exceeds \$1,100 per year. When using check cashers, employees risk robbery and injury after cashing their payroll check, loss or forgery of the paycheck, and as mentioned significant charges to obtain their monies. This is especially true for undocumented workers who are very unlikely to report a crime and thus are easy targets for criminals. Police departments routinely investigate robberies of this nature.

Another significant advantage of the payroll card for undocumented workers is that it provides the only way they can access ATMs and POS devices in stores, because they don't have a tax id number (TIN) which is necessary to open a bank account. Without a tin, those employees cannot participate in the safe delivery of their payroll and the easy, affordable access to payment systems that most of the State's population enjoys.

Employee Card Holder Protections: The bill establishes numerous requirements that must be satisfied by payroll card issuers (banks) and programs in order to protect and fully disclose to employees their rights and responsibilities when using the payroll card. The bill:

Allows the employee to choose the payroll card as a method of pay (not mandatory).

Entitles an employee to make at least one free withdrawal or transfer per pay period.

Prohibits an employer from passing on to the employee any of the employer's costs associated with paying wages through a payroll card.

Requires that employees be provided with a free means of:

- Checking account balances by telephone and electronically; and
- Accessing their history of account transactions for at least the previous 60 days.

Requires employers to provide the employee clear and conspicuous notice, in writing and in the language the employer normally uses to communicate employment related policies, of the following:

- The terms and conditions governing the use of the payroll card.
- A list of any fees that may be assessed by the payroll card issuer.
- The methods available for accessing the employee's full wages and card account balances without any fees.
- Disclosure of whether third parties may be able to assess additional fees when funds are accessed through specific means.
- The methods, other than payroll card, by which an employee may receive wages.

Prohibits payroll card accounts from being linked to any form of credit.

In addition, the bill provides the following additional protections:

Prohibits employers or payroll card issuers from charging fees for:

- Issuing a payroll card
- Issuing one replacement card per year
- Overdrafts
- Declined transactions

Allows payroll cards to bear an expiration date provided:

- The funds on the card itself do not expire
- The funds on the card are not subject to inactivity or dormancy fees

Benefits for Businesses: Payroll checks are the most expensive means of paying employees due to the administrative time due and cost of reconciling accounts, replacing checks, forgery, embezzlement, fraud and payroll service costs. The payroll card solution provides a much more secure and simpler system by which employers can manage their day to day payroll system need.

For all the above reasons, we strongly urge your support of House Bill 5315.